National Film Board of Canada

2015-2016

Quarterly Financial Report for the quarter ended June 30, 2015

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1. Introduction

The National Film Board (NFB) was created by an act of Parliament in 1939. A federal cultural agency within the Canadian Heritage portfolio, the NFB exists to produce and distribute original, innovative audiovisual works that raise awareness of Canadian values and viewpoints and of the issues of interest to Canadians, across the country and around the world. The NFB serves Canadians by producing and making accessible, in all regions of the country and on all available platforms, rich and diverse cultural content that reflects Canada's rapidly shifting demographic profile and that would not be produced otherwise. A brief description of the agency's activities for the current year can be found in *Part II of the Main Estimates*.

The present quarterly report has been prepared by management as required by Section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by Treasury Board. This quarterly report should be read together with the *Main Estimates*.

This quarterly report has not been subject to an external audit or review.

2. Basis of Presentation

This quarterly report has been prepared by management using expenditure accounting. The accompanying Statement of Authorities includes the agency's spending authorities granted by Parliament and those used by the agency consistent with the Main Estimates and Supplementary Estimates for the 2015-16 fiscal year. This quarterly report has been prepared using a special-purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

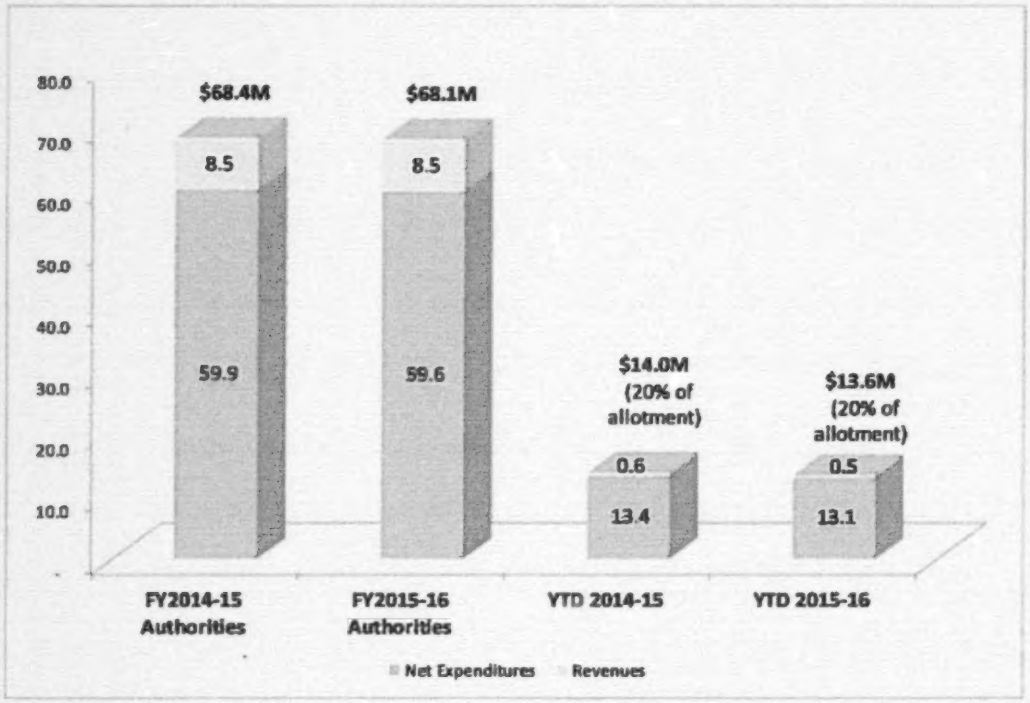
The authority of Parliament is required before monies can be spent by the Government of Canada. Approvals are given in the form of annually approved limits through the *Appropriation Act* or through legislation in the form of statutory spending authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

The NFB uses the full accrual method of accounting to prepare its annual financial statements in accordance with Treasury Board accounting principles, which are consistent with generally accepted Canadian accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

3. Highlights of Fiscal Quarter and Fiscal Year-to-Date (YTD) Results

This section highlights the principal factors that contributed to the variances between projected and actual expenditures and expected and earned revenues for the period ended June 30, 2015.



The preceding graph shows the total budgetary authorities granted to the NFB for fiscal 2015-16, with projected gross expenditures totalling $68.1 million. This is $0.3 million less than in the preceding fiscal year. In 2014-2015, the NFB had received the first portion of Treasury Board's loan from the relocation of its main office to the Quartier des spectacles in Montreal. Moreover, the 2015-2016 Main Estimates reference level was also reduced for the implementation of shared services at the government level.

Table 2 shows expenditures and revenues for the first quarter of 2015-16. Here is an overview of the main items to be noted:

Variance in Revenues

First quarter actual revenues at $0,5 million are at a comparable level to the preceding year.

Variance in Expenditures

Gross expenditures for the first quarter of 2015-16 were $0.4 million lower than in the first quarter of the preceding year, totalling $13.6 million.

This decrease is mostly attributed to the professional and special services. During the 1st quarter of 2014-15 several interactive web productions, including *Circa 1948* and *Highrise*, required significant audio-visual services. Additionally, in June 2014, the NFB was presenting, in collaboration with the Museum of Civilization of Québec, "Frame X Frame, the Animated films of the NFB" exhibit in celebration of the NFB's 75th anniversary.

The reduction in salary expenditures is due to the restructuration announced in March 2015.

Transportation and communications expenditures consist mainly of travel expenses. The NFB continues its diligent efforts to minimize these expenditures. The shooting calendar for film productions during the 1st quarter of 2015-2016 led to more travel expenses than during the same quarter of the preceding year. This variance does not represent an annual trend.

The decline in rental expenditures is mainly due to the reorganisation of spaces in the Montreal office in order to reflect actual operational needs.

The other types of expenses by standard object followed historical trends.

4. Risks and Uncertainties

The external risks that the NFB faces remain unchanged. Foremost among them in its organizational risk profile is a decline in its revenues and in its spending authorities from Parliament. The NFB and the other cultural agencies in the audiovisual sector are underscoring the decline in revenues due to the transition from the traditional to digital distribution models.

That is why, in this environment, the NFB is working actively to develop new modes of financing and to take advantage of new distribution platforms to ensure its financial independence and secure the resources that it needs to fully accomplish its mandate. Furthermore, the NFB seeks to develop partnerships in order to increase its production capacity.

As a public agency, the NFB demonstrates a strong, sustained commitment to the education sector. The Agency continues to develop and enhance content for education professionals and its base of CAMPUS subscribers in Canada. Efforts are also undertaken to increase its presence in the U.S. education market.

The current year will be marked by the transition of the agency's digital platform "nfb.ca" toward e-commerce with the launch of a renewed collection of documentaries for digital rental by Canadian Consumers.

5. Significant Changes Related to Operations, Personnel and Programs

In order to overcome financial pressures due to the lack of compensation of the anticipated salary revisions as well as the relocation of several of its offices, the NFB put forth a 4-year strategic financial plan. In March 2015, the NFB announced a restructuring of its activities in order to ensure its financial stability. Educational workshops offered in Montreal and Toronto ceased at the end of the1st quarter. Moreover, several positions, including 5 Director positions, have been abolished and the organizational structure was simplified.

Approved by:

Claude Joli-Coeur
Government Film Commissioner

Montreal, Canada

August 24, 2015

Luisa Frate CPA, CA
Director General,
Finance, Operations and Technology
(Chief Financial Officer)

Montreal, Canada

August 24, 2015

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Table 1 : Statement of Authorities ***(unaudited)***

	Fiscal Year 2015-2016			Fiscal Year 2014-2015		
(dollars)	Total available for use for the year ending March 31, 2016 *	Used during the quarter ended June 30, 2015	Year to date used at the quarter-end	Total available for use for the year ending March 31, 2015*	Used during the quarter ended June 30, 2014	Year to date used at the quarter-end
Vote 1 - Operating expenditures	59 652 377	13 057 629	13 057 629	59 912 241	13 400 888	13 400 888
Total Budgetary authorities	59 652 377	13 057 629	13 057 629	59 912 241	13 400 888	13 400 888
Total authorities	**59 652 377**	**13 057 629**	**13 057 629**	**59 912 241**	**13 400 888**	**13 400 888**

**Includes only Authorities available for use and granted by Parliament at quarter-end*

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Table 2 : Departmental budgetary expenditures by Standard Object *(unaudited)*

	Fiscal Year 2015-2016			Fiscal Year 2014-2015		
(dollars)	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end	Total available for use for the year ending March 31, 2015	Used during the quarter ended June 30, 2014	Year to date used at quarter-end
Expenditures:						
Personnel	36,751,740	8,956,361	8,956,361	36,543,970	9,140,520	9,140,520
Transportation and communications	3,120,808	532,225	532,225	3,159,355	362,662	362,662
Information	523,430	75,533	75,533	538,826	46,777	46,777
Professional and special services	13,275,413	1,027,971	1,027,971	13,439,386	1,411,754	1,411,754
Rentals	7,886,419	1,709,438	1,709,438	7,983,829	1,769,719	1,769,719
Repair and maintenance	1,313,057	788,807	788,807	1,329,275	801,405	801,405
Utilities, materials and supplies	1,097,695	139,855	139,855	1,111,254	156,318	156,318
Acquisition of machinery and equipment	3,315,945	262,695	262,695	3,356,902	201,557	201,557
Transfer payments	-	0	-	80,000	5,000	5,000
Other subsidies and payments	820,316	85,229	85,229	821,890	131,774	131,774
Total gross budgetary expenditures	**68,104,823**	**13,578,114**	**13,578,114**	**68,364,687**	**14,027,486**	**14,027,486**
Less Revenues netted against expenditures: Revenues credited to the vote	8,452,446	520,485	520,485	8,452,446	626,598	626,598
Total Revenues netted against expenditures	**8,452,446**	**520,485**	**520,485**	**8,452,446**	**626,598**	**626,598**
Total net budgetary expenditures	**59,652,377**	**13,057,629**	**13,057,629**	**59,912,241**	**13,400,888**	**13,400,888**